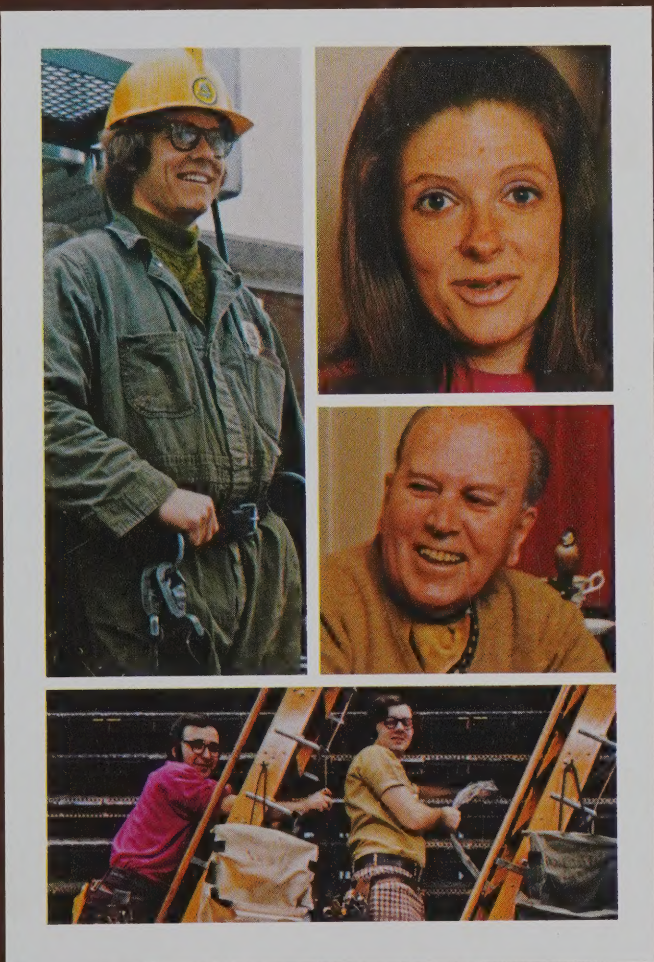
Bell Canada Annual Report 1972



Bell Canada

Corporate Information

Bell Canada
1050 Beaver Hall Hill
Montreal 128, Quebec

1973 Annual Meeting
The Annual General Meeting of the Shareholders will take place at 2:00 p.m., Tuesday, April 3, 1973, in the Canadian Room, Royal York Hotel, Front Street West, Toronto, Ontario

Listing of Stock
Montreal Stock Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

Transfer Offices for Stock
Company Offices —
1050 Beaver Hall Hill *Montreal*
10 King St. East *Toronto*
The Royal Trust Company
St. John's, Nfld.; Halifax; Charlottetown; Saint John, N.B.; Winnipeg; Regina; Calgary; Vancouver

Registrar for Stock
Montreal Trust Company
Montreal; Toronto; St. John's, Nfld.; Halifax; Charlottetown; Saint John, N.B.; Winnipeg; Regina; Calgary; Vancouver

Trustee for Bonds
The Royal Trust Company
Montreal

Transfer Offices for Bonds
The Royal Trust Company
Montreal; Toronto; St. John's, Nfld.; Halifax; Charlottetown; Saint John, N.B.; Winnipeg; Regina; Calgary; Vancouver

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Sur demande, le secrétaire vous fera volontiers parvenir un exemplaire français du rapport annuel.

Bell Canada
Built, managed and owned by Canadians.

Ninety-third Annual Report

Year ended December 31, 1972

Financial Highlights	1972	1971	% change
Per Common Share			
Earnings applicable to common shares*	$ 4.12	$ 3.76	9.6
Assuming full conversion of convertible preferred shares*	4.04	3.72	8.6
Dividends paid	2.65	2.65	
Common equity (at December 31)	44.50	43.05	3.4
Operating revenues			
Local service	$ 629,701,000	$ 568,153,000	10.8
Long distance service	464,905,000	406,689,000	14.3
Miscellaneous (less uncollectibles)	30,810,000	43,945,000	(29.9)
Other income	32,203,000	29,786,000	8.1
	1,157,619,000	1,048,573,000	10.4
Expenses			
Operating	712,534,000	639,737,000	11.4
Taxes	180,688,000	174,352,000	3.6
Interest	98,701,000	87,194,000	13.2
	991,923,000	901,283,000	10.1
Income before extraordinary item	165,696,000	147,290,000	12.5
Extraordinary item	(908,000)	—	
Net income	164,788,000	147,290,000	11.9
Dividends on preferred shares	13,079,000	9,350,000	39.9
Net income applicable to common shares	151,709,000	137,940,000	10.0
Dividends on common shares	97,542,000	97,202,000	0.3
Earnings retained and invested in the business	$ 54,167,000	$ 40,738,000	33.0
Rate of Return			
Average common equity capital*	9.4%	8.8%	
Average total capital	7.8%	7.4%	

**after extraordinary item.*

Directors

W. M. VACY ASH
Toronto, Ontario
Company Director
Elected March 10, 1966

MARCEL BÉLANGER, C.A.
Quebec, Quebec
Partner, Bélanger, Dallaire, Gagnon & Associés
Elected March 20, 1969

J. LAURENCE BLACK
Sackville, New Brunswick
Chairman, The New Brunswick Telephone Company, Limited
Elected March 16, 1967

HENRY BORDEN, O.C., C.M.G., Q.C.*
Toronto, Ontario
Company Director
Appointed January 28, 1948

A. JEAN de GRANDPRÉ, Q.C.*
Montreal, Quebec
President, Bell Canada (effective January 1, 1973)
Appointed July 26, 1972

MARCEL FARIBAULT, C.C.*
Montreal, Quebec
Chairman, Compagnie France Film
Appointed December 16, 1959
Deceased May 26, 1972

J. DOUGLAS GIBSON, O.B.E.
Toronto, Ontario
Economic Consultant
Elected March 25, 1970

HELEN S. HOGG, O.C.
Toronto, Ontario
Professor and Research Associate, University of Toronto
Elected March 21, 1968

JAMES W. KERR
Toronto, Ontario
Chairman and Chief Executive Officer, TransCanada PipeLines Limited
Appointed August 26, 1970

HERBERT H. LANK*
Montreal, Quebec
Company Director
Appointed April 27, 1960

VERNON O. MARQUEZ*
Montreal, Quebec
Chairman and Chief Executive Officer, Northern Electric Company, Limited
Appointed July 1, 1969

DONALD McINNES, Q.C.
Halifax, Nova Scotia
Senior Partner, McInnes, Cooper & Robertson
Elected March 16, 1967

KENNETH G. McKAY
New York, New York
Vice-President, American Telephone & Telegraph Co.
Appointed December 1, 1966

JOHN H. MOORE*
London, Ontario
President, Brascan Limited
Elected March 10, 1966

ARTHUR S. PATTILLO, Q.C.
Toronto, Ontario
Partner, Blake, Cassels & Graydon
Appointed January 26, 1966

GÉRARD PLOURDE*
Montreal, Quebec
Chairman of the Board and Chief Executive Officer, U A P Inc.
Appointed effective January 1, 1973

THE HON. JOHN P. ROBARTS, P.C., C.C., Q.C.
London, Ontario
Member of Robarts, Betts, McLennan & Flinn, London and of Stikeman, Elliott, Robarts & Bowman, Toronto
Appointed June 23, 1971

H. ROCKE ROBERTSON, C.C.
Ottawa, Ontario
Former Principal and Vice-Chancellor, McGill University
Elected July 8, 1965

LUCIEN G. ROLLAND
Montreal, Quebec
President and General Manager, Rolland Paper Company, Limited
Elected July 8, 1965

ROBERT C. SCRIVENER*
Montreal, Quebec
Chairman of the Board and Chief Executive Officer, Bell Canada (effective January 1, 1973)
Appointed November 1, 1967

LIVIA M. THÜR
Montreal, Quebec
Vice-Principal (Academic), University of Quebec at Trois-Rivières
Elected April 6, 1971

MARCEL VINCENT, C.C.*
Montreal, Quebec
Chairman and Chief Executive Officer, Bell Canada
(Retired December 31, 1972)
Appointed June 28, 1961 — October 25, 1961
Reappointed June 26, 1963
Resigned December 31, 1972

**Member of the Executive Committee*

Report of the Directors

Bell Canada earnings per common share in 1972 were $4.12, a ten per cent improvement over the previous year. A buoyant economy increased demand for services and required greater expenditures than ever before in both operating and capital costs. Record levels in the number of subscribers served, in local and long distance calls, in operating revenues and in earnings per share for the year were achieved.

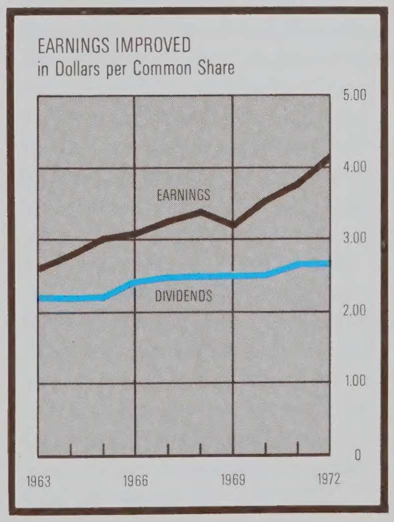
The need to achieve a rate of return adequate to provide a fair return to current investors and to attract the new investment required to meet the growing demands of the Canadian public in an efficient manner, made it necessary for the Company to apply again for authority to increase the prices of its services.

A highlight of the year was the inauguration, by Bell Canada and other companies of the Trans-Canada Telephone System, of a program designed to emphasize computer communications with the objective of providing Canadian leadership in this rapidly growing industry. The Computer Communications Group of TCTS was formed to assure the closest possible co-operation between member companies in the fields of market research, planning and development of products, services and rates. In our operating territory, The Computer Communications Group of Bell Canada is the name that identifies the Company as the major provider of data services in Canada. The activities of the new group will affirm the world leadership of Bell Canada in computer communications.

With the launching by Telesat Canada in November of the world's first synchronous domestic communications satellite — ANIK 1 — a new dimension was introduced to Canada's telecommunications industry. In September, Bell Canada, and nine other Canadian telecommunications companies, signed a five-year lease agreement with Telesat Canada for two East-West radio frequency channels on ANIK 1. In October, the Company signed a separate agreement for two North-South channels, thus achieving the capability of satellite transmission for communications between major Canadian centres and the North, as well as within the Canadian Arctic.

Earnings, Revenues Increase

Earnings per common share in 1972 amounted to $4.12, a 36 cent gain over the $3.76 earned in 1971. Assuming full conversion of convertible preferred shares, earnings per common share were $4.04. Approximately 18 cents of the increase was attributable to the full year



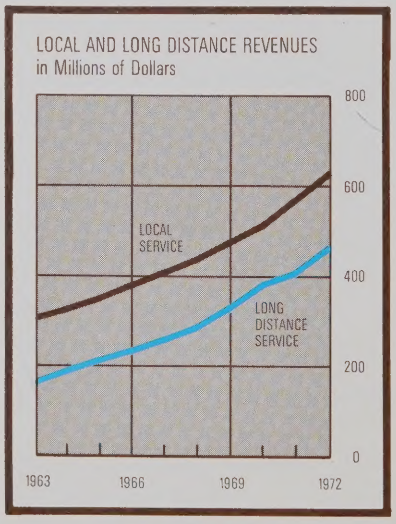
Number of subscribers, local and long distance calls increase

effect of changes in the Federal Government's corporate income tax, effective for the period July, 1971 to December, 1972.

Operating revenues, at $1,125 million, were 10.5 per cent higher than in 1971, due mainly to a continued increase in long distance calls and to the revised rate structure which came into effect during the second quarter of 1972.

Operating expenses, at $713 million, were 11.4 per cent higher than in 1971. Despite improvements in efficiency and close control of expenditures, the annual rate of increase in operating expenses, due mainly to inflation, continues to outpace revenue growth — necessitating further upward pricing of services.

The rate of return in 1972 was 9.4 per cent on average common equity capital, compared to 8.8 per cent the previous year. The return on average total capital was 7.8 per cent compared to 7.4 per cent in 1971. This was a notable improvement, but still inadequate in comparison with competitive investment opportunities.

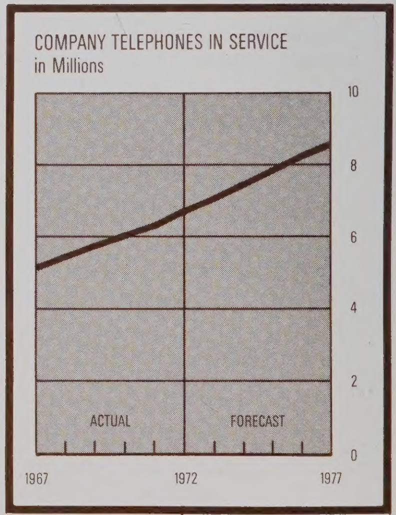


Demand for Services Grew

In 1972, telephone calls handled by Bell Canada climbed to more than 40 million on the average day, totalling 14.8 billion in the year. Long distance calls, at 351 million, increased by 15.2 per cent and accounted for 41.3 per cent of 1972 operating revenues.

At year end, Bell Canada had more than 6,742,000 telephones in service. During the year, 1,855,000 telephones were connected and 1,408,000 disconnected, for a net gain of 447,000. Stated another way, because of the mobility of our customers, the Company was called upon to install four phones and disconnect three to gain one.

Bargain Month, an innovative marketing program which enabled Bell Canada residence customers to add certain optional telephone services without paying the installation charge, was most successful and added approximately 92,000 telephones to the Company's network.



$508 million spent in serving customers and meeting growth demands

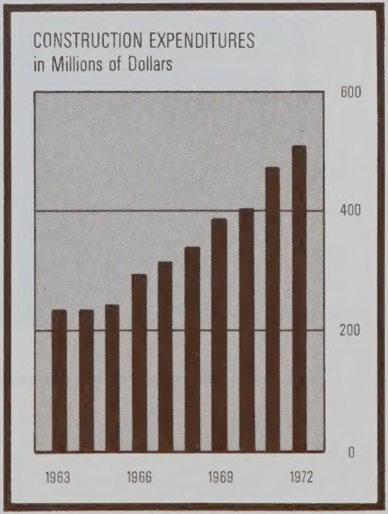
The greater volume of total business in 1972 was handled without a proportionate increase in the number of employees and reflects the efficiency and dedication of Bell Canada people and their commitment to good, courteous service. The directors wish to record their appreciation, on behalf of the shareholders, of the quality of the work done and the results produced during 1972 by the men and women of Bell Canada.

Construction

In addition to people, the key elements in providing the type of telecommunications service and performance that Bell Canada customers expect are plant and capital.

A total of $508 million was spent in 1972 to relocate services of moving customers and to replace outworn or damaged facilities, to improve service and to increase capacity to meet future customer demands.

The cost of relocating services for residential and business customers who moved in 1972 accounted for about $61.8 million of the year's construction outlays. Replacement cost about $31.7 million.



Close to $75.7 million was spent to modernize service and improve the Company's physical plant by continuously incorporating advanced technology. One example of this is the current program of modernizing switching centres by using electronic systems which can provide customers with faster, more reliable service. These modernized switching centres are far more economical to operate and maintain and, in addition, they help ensure our service capability to meet the new and growing public needs of the future.

By far the largest portion of the 1972 construction expenditure — about $338.5 million — went to meet growth requirements. Bell Canada must anticipate future customer demand so that it can ensure that the required lines and equipment are available in the right place at the right time to meet customer needs.

Detailed forecasts of demand — community by community, service by service — are the basis for growth projects. The construction program consists of many thousands of individual projects, many of them inter-related and therefore demanding of precise co-ordination. Sophisticated telephone equipment, much of it tailored to the special requirements of individual choices of customers or communities, takes relatively long lead times to engineer, manufacture, test and install.

It is for these reasons that, in planning to meet future demand, capital must be raised and spent ahead of the time when revenues can be realized from the investment. And planning future financing requires that prospects for adequate earnings growth are clear.

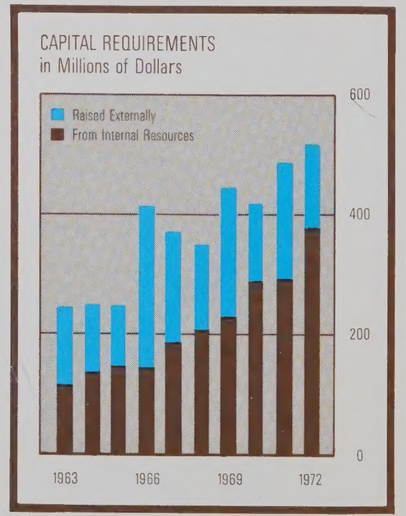
Construction programs total $1.2 billion for 1973 and 1974

Financing

In 1972, retained earnings, depreciation, deferred taxes and other internal sources contributed about three-quarters of the $508 million needed to support construction programs. The remainder of the Company's overall requirements was obtained through the sale of debt securities in the financial markets.

During the first quarter, the Company raised $50 million in long-term debt and, in August, $100 million was obtained through the issue of three separate series: $42 million was raised in long-term debt, $32 million was raised in the medium term market and $26 million in serial bonds.

The four issues, after underwriting expenses, produced a net of $148,117,000. At year end, the Company's embedded cost of debt was 6.2 per cent, compared to 5.9 per cent in 1971. During the year, $40 million in long-term debt was repaid at maturity. Replacement of bond issues carrying a four to five per cent interest coupon at the current high interest rates on borrowed capital is a costly necessity as the Company refunds maturing debt issues.



In December, the Company completed negotiations for the sale, through underwriters, of $50 million First Mortgage 8% Bonds, Series BA, priced to yield 8.05%. The bonds, dated February 1, 1973, will mature on February 1, 1997.

Construction programs for 1973 and 1974 call for capital investment in excess of $1.2 billion — with $590 million needed in 1973 and $675 million in 1974.

In view of the heavy use of debt financing in 1972, a substantial amount of the external capital requirements in 1973 and 1974 should be raised through equity financing. This can be accomplished only if investors have confidence in the Company's future financial strength and can reasonably expect growth in earnings that would warrant a market price for Bell Canada shares well above the levels which prevailed in 1972.

It is to these ends that the Company continues to stress efforts to improve results through the employment of cost-saving technology, through operating improvements and through rigorous expense controls. But these efforts by themselves have proved insufficient to combat the inflationary pressures of recent years and to achieve the earnings necessary to attract new equity capital in the face of keen competition for investment dollars.

Rate adjustments sought to help offset inflation, higher taxes

And it is for these reasons that the Company continues to try to impress upon the public and the regulatory authorities that the current rate of return is inadequate for a business that each year must raise large amounts of money to finance the construction programs required to meet demands for service and to provide for modernization and innovation. Any uncertainty about Bell Canada's ability to finance prudently would be reflected in both the cost and availability of capital and, in turn, in the Company's ability to provide the quality and variety of services our customers require. The financing problem is, therefore, of concern to the Company's customers and the regulatory authorities as well as to our shareholders and employees.

Rate Applications

In November, 1971 the Company applied to the Canadian Transport Commission for increases in rates, which, had they been in effect throughout 1972, would have produced $78.1 million in additional revenues and would have resulted in an estimated 8.2 per cent return on average total capital. However, only about 60 per cent of the requested increase was granted, and the revised rates did not become effective until June.

The $27.6 million in revenues that the increase generated in the seven month, June to December period of 1972 did help to improve 1972 earnings; however, given a continuation of inflation coupled with the higher tax rates that will be in effect next year, the amount awarded is clearly inadequate as a basis for continuing to give good service.

As a result, in November the Company filed with the Commission two separate applications — one relating to 1973 and one to 1974. The first, application "A", seeks permission through rate adjustment to offset in part, the effect of cost increases since the May, 1972 award and thus help maintain the existing 7.8 per cent rate of return through 1973.

Application "B" seeks authority to increase rates, beginning January 1, 1974, to produce $85.2 million in additional revenues in order to make possible an estimated 8.6 per cent rate of return on average total capital in 1974.

Application "B" is a forward-looking approach to the problem of "regulatory lag" — the time period between the filing of the application and implementation of the decision. During this time "lag", the Company experiences, particularly in times of rapid inflation, significant cost increases, and a deterioration in earnings which, if allowed to persist, can only lead to poor service.

By filing the application more than a year in advance of the proposed effective date, the Company has sought to provide ample time for thorough investigation of all aspects of the case and for a decision to be rendered without delaying implementation of the resulting rate changes.

This approach also makes it possible for the Commission to make its decision on realistic estimates of capital-expense-revenue relationships over the period affected by the decision rather than on the basis of past, historical data. The application is a significant step forward in relating the regulatory process to current annual rates of inflation.

Hearings by the Canadian Transport Commission began January 10, 1973, and are expected to be completed by February 16, 1973.

Board of Directors

After a distinguished 45-year career with the Company, Marcel Vincent, having reached retirement age, resigned December 31 as Chairman of the Board and Chief Executive Officer and as a Director. As the Company's chief executive from 1963 through 1972, he guided the organization during a period of many stresses within Canada, of significant growth in the telephone aspect of our business, in the development of computer communications and in the emergence of satellite communications. His determination, sensitivity, wise counsel and leadership will be missed by both Bell Canada and the telecommunications industry.

Robert C. Scrivener, formerly President, was elected Chairman of the Board and Chief Executive Officer and A. Jean de Grandpré, formerly Executive Vice-President, Eastern Region, was elected President. Earlier in the year, Mr. de Grandpré was appointed a member of the Board and elected to its Executive Committee.

Gérard Plourde, Chairman of the Board and Chief Executive Officer, UAP Inc., was appointed to the Company's Board of Directors, effective January 1, 1973. He is a member of the Board of Northern Electric and other leading Canadian corporations.

The death in May of Marcel Faribault, an outstanding member of the Board of Directors since 1959 and deeply involved in its committees, was a great loss to the Company and his fellow directors. His opinions, judgments and contributions were highly valued by the Board.

For the Board of Directors,

R. C. Scrivener

Chairman

February 12, 1973

Bell Canada

Income Statement

	Year 1972	Year 1971
	(thousands of dollars)	
Operating Revenues		
Local service	$ 629,701	$ 568,153
Long distance service	464,905	406,689
Miscellaneous	34,776	48,567
Less: Uncollectibles	*3,966*	*4,622*
	1,125,416	1,018,787
Operating Expenses		
Depreciation (Note 2)	228,033	198,438
Maintenance	193,435	174,471
Marketing and commercial	69,506	72,247
Traffic (Note 3)	66,482	61,212
Provision for pensions and other employee benefits	39,269	32,851
Accounting	36,345	30,907
Engineering (Note 4)	35,497	29,883
Other (Note 5)	43,967	39,728
	712,534	639,737
Net Operating Revenues	412,882	379,050
Operating Taxes		
Income taxes	126,808	122,126
Other taxes	53,880	52,226
	180,688	174,352
Operating Income	232,194	204,698
Other Income		
Dividends from subsidiary companies (Note 1)	19,243	17,020
Dividends and interest from other investments	4,422	3,882
Miscellaneous (Note 6)	8,538	8,884
	32,203	29,786
Total Income Before Interest Charges and Extraordinary Item	264,397	234,484
Interest Charges		
Interest on long term debt	96,795	85,427
Other interest	1,018	979
Amortization of long term debt expenses	888	788
	98,701	87,194
Income Before Extraordinary Item	165,696	147,290
Extraordinary item — exchange on repayment of long term debt	(908)	—
Net Income	164,788	147,290
Dividends on preferred shares	13,079	9,350
Net Income Applicable to Common Shares	$ 151,709	$ 137,940
Earnings per Common Share (Note 1):		
— before extraordinary item	$4.15	$3.76
— after extraordinary item	4.12	3.76
Assuming full conversion of convertible preferred shares		
— before extraordinary item	$4.06	$3.72
— after extraordinary item	4.04	3.72

Balance Sheet

ASSETS

	(thousands of dollars)	
	December 31, 1972	*December 31, 1971*
Telephone Property		
Buildings, plant and equipment — at cost	$4,488,281	$4,078,251
Less: Accumulated depreciation	1,276,996	1,152,567
	3,211,285	2,925,684
Land, and plant under construction — at cost	189,176	205,322
	3,400,461	3,131,006
Investments		
Subsidiary companies — at cost (Note 7)	248,873	243,471
Other companies — at cost (Note 8)	69,326	65,920
	318,199	309,391
Current Assets		
Cash and temporary cash investments	52,711	80,867
Accounts receivable (Note 9)	155,659	125,770
Material and supplies — principally at cost	53,903	45,725
Prepayments	5,316	12,441
	267,589	264,803
Deferred Charges		
Unamortized long term debt expenses	12,817	11,422
Other	15,350	9,565
	28,167	20,987
	$4,014,416	$3,726,187

On behalf of the Board of Directors:

L. G. Rolland, *Director.*

A. J. de Grandpré, *Director.*

LIABILITIES AND SHAREHOLDERS' EQUITY

	(thousands of dollars)	
	December 31, 1972	*December 31, 1971*
Shareholders' Equity		
Capital stock — $3.20 Preferred (Note 10)	$ 93,994	$ 93,997
— $3.34 Preferred (Note 10)	103,997	104,000
— Common (Note 10)	921,784	918,568
Premium on capital stock (Note 11)	376,879	375,264
Retained earnings	342,009	287,842
	1,838,663	1,779,671
Long Term Debt (Note 12)	1,652,238	1,541,504
Notes Payable (Note 13)	10,000	10,000
Current Liabilities		
Accounts payable (Note 9)	102,126	94,465
Advance billing for service	22,006	19,500
Dividends payable	26,232	26,147
Taxes accrued	927	510
Interest accrued	27,686	24,164
	178,977	164,786
Deferred Credits		
Income taxes (Note 14)	322,162	223,594
Unamortized investment tax credit (Note 15)	9,834	3,963
Employees' savings plan (Note 16)	2,542	2,669
	334,538	230,226
	$4,014,416	$3,726,187

G. L. Henthorn, *Comptroller.*

Statement of Retained Earnings

	Year 1972	Year 1971
	(thousands of dollars)	
Balance at Beginning of Year	$287,842	$250,573
Net income	164,788	147,290
	452,630	397,863
Deduct		
Dividends		
Preferred shares	13,079	9,350
Common shares	97,542	97,202
	110,621	106,552
Expenses of issue of preferred shares	—	3,469
	110,621	110,021
Balance at End of Year	$342,009	$287,842

Statement of Source and Disposition of Funds

	Year 1972	Year 1971
	(thousands of dollars)	
Source of Funds		
Operations		
Income before extraordinary item	$165,696	$147,290
Items not requiring current funds:		
Depreciation and miscellaneous (net)	222,894	192,573
Deferred income taxes (Note 14)	69,163	43,082
	457,753	382,945
Proceeds from long term debt	148,117	152,855
Proceeds from preferred shares	—	100,531
Employees' savings plan (Note 16)	4,698	4,882
Deferred income taxes — prior period (Note 14)	29,405	9,641
Decrease in working capital	11,405	—
Miscellaneous	7,001	5,445
	$658,379	$656,299
Disposition of Funds		
Construction expenditures		
Gross construction expenditures	$507,716	$471,633
Deduct: Charges to construction not requiring funds (Note 6)	15,985	16,341
	491,731	455,292
Dividends	110,621	106,552
Repayment of long term debt	40,174	—
Repayment of notes payable (net)	—	8,250
Acquisition of investments	8,808	13,472
Increase in working capital	—	65,535
Miscellaneous	7,045	7,198
	$658,379	$656,299

Notes to Financial Statements

1. Basis of statement presentation

The accompanying financial statements are prepared on a corporate basis and have not been consolidated with those of subsidiary companies because the operations of Bell Canada are subject to regulation by the Telecommunication Committee of the Canadian Transport Commission whereas those of its subsidiary companies are either not regulated or regulated by other jurisdictions and the business characteristics of Northern Electric Company, Limited, a manufacturing company and the principal subsidiary, are substantially different from those of the telephone companies.

The amount of the Company's proportion of the net earnings of all subsidiaries for the year 1972 is $28,695,000 ($20,055,000 for 1971), and of the retained earnings and contributed surplus since acquisition is $82,300,000 at December 31, 1972.

The Company takes into account the dividends received from the subsidiary companies. Had its proportion of net earnings of the subsidiary companies been taken into account rather than the dividends, the earnings per common share would have been as follows:

	1972	*1971*
Earnings per common share (including proportion of net earnings of subsidiary companies)		
— before extraordinary item	$4.40	$3.84
— after extraordinary item	4.38	3.84
Assuming full conversion of convertible preferred shares		
— before extraordinary item	$4.29	$3.80
— after extraordinary item	4.27	3.80

2. Depreciation

The composite depreciation rate for the year ended December 31, 1972 is 5.50% (5.24% for 1971).

The Company depreciates each type of fixed asset on a straight line group basis, making appropriate provision for residual values. The depreciation procedures provide for charging the original cost of the assets to operations at a uniform rate over the life of the plant in each group. Assets placed in service prior to January 1, 1971 are grouped by year of placing in service. Assets placed in service on or after January 1, 1971 are still grouped by year placed in service but in addition are then subdivided into groups by expected service life. This refinement in the grouping procedures is designed to improve the method of charging the cost of such assets to operations over the life of the plant in each group.

3. Traffic

Expenses, principally wages, incurred in the handling of messages.

4. Engineering

Principally expenses incurred in connection with planning for plant additions and changes and equipment design for customer requirements and special projects.

5. Other

General office salaries and expenses, operating rents and miscellaneous expenses.

6. Other income — Miscellaneous

Interest charged to construction of $9,895,000, less miscellaneous income charges.

The amount of interest charged to construction is also included in the item "Charges to construction not requiring funds" in the statement of source and disposition of funds.

7. Investments — Subsidiary companies

Direct ownership, with voting control, in the following companies:

Northern Electric Company, Limited (100%)
Bell-Northern Research Ltd. (51% — the remaining 49% is held by Northern Electric Company, Limited)
The New Brunswick Telephone Company, Limited (50.5%)
Northern Telephone Limited (90.8%)
Newfoundland Telephone Company Limited (99.7%)
Télébec Ltée (95.1%)
Lièvre Valley Telephone Company (100%)
The Capital Telephone Company Limited (100%)
Telontario Incorporated (100% — incorporated in June 1972)
The North American Telegraph Company (100%)

Notes to Financial Statements (continued)

8. Investments — Other companies

Cost of shares in Telesat Canada ($14,757,000) and Maritime Telegraph and Telephone Company, Limited ($54,569,000).

At December 31, 1972, the Company owned, without voting control, 52.2% of the outstanding common shares and 5.9% of the outstanding 7% cumulative preferred shares of Maritime Telegraph and Telephone Company, Limited.

9. Accounts receivable and accounts payable

At December 31, 1972, accounts receivable include $3,538,000 from subsidiary companies, and accounts payable include $32,711,000 owing to subsidiary companies.

10. Capital stock

Authorized

By charter — $1,750,000,000 divided into common shares of the par value of $25 each, and into preferred shares.

By shareholders — $1,750,000,000* divided into common shares of the par value of $25 each and: (a) not more than 4,000,000 of a class of preferred shares to a maximum aggregate amount of $100,000,000; (b) not more than 9,000,000 of another class of preferred shares to a maximum aggregate amount of $225,000,000; and (c) not more than 12,000,000 of another class of preferred shares to a maximum aggregate amount of $300,000,000.

**Increased in 1972 from $1,250,000,000.*

Outstanding

Preferred shares

Cumulative, Redeemable, Convertible and Voting

1,999,871 — $3.20 Shares of $47 par value	$ 93,994,000
1,999,950 — $3.34 Shares, Class B, Series B, of $52 par value	$103,997,000

Common shares

36,871,370 shares of $25 par value	$921,784,000

The $3.20 Preferred Shares are not redeemable prior to February 1, 1976, but may be thereafter at $47 plus a premium of $3.00 diminishing $0.50 at the end of each subsequent year to February 1, 1982, and thereafter at $47. Each $3.20 Preferred Share may be converted into one common share on or before February 1, 1982, and 1,999,871 common shares have been reserved for this purpose.

The $3.34 Preferred Shares, Class B, Series B, are not redeemable prior to August 1, 1977, but may be thereafter at $52 plus a premium of $3.00 diminishing $0.50 at the end of each subsequent year to August 1, 1983, and thereafter at $52. Each $3.34 Preferred Share, Class B, Series B, may be converted into one common share on or before August 1, 1983, and 1,999,950 common shares have been reserved for this purpose.

At December 31, 1972, 182,924 common shares were also reserved for the Employees' Savings Plan.

During 1972, 128,544 common shares were issued for cash and 109 common shares were issued on conversion of $3.20 and $3.34 Preferred Shares.

11. Premium on capital stock

	1972	*1971*
Balance at beginning of year	$375,264,000	$373,925,000
Premium on common shares issued during the year	1,615,000	1,339,000
Balance at end of year	$376,879,000	$375,264,000

12. Long term debt

FIRST MORTGAGE BONDS (secured by a first mortgage and a floating charge)

Maturity Date		*Rate of Interest*	*Series*	
February	15, 1973	3¼ %	F	$ 35,000,000
April	1, 1974	6¼ %	S	25,000,000
June	1, 1975	3⅜ %	G	40,000,000
May	1, 1976	3½ %	I	40,000,000
March	1, 1977	3 %	E	35,000,000
May	1, 1977	8 %	AN	54,794,000(*b*)
January	2, 1978	6¼ %	R	35,000,000
November	1, 1978	7⅝ %	AK	10,000,000
November	15, 1978	7½ %	AU	25,000,000
May	15, 1979	3¾ %	K	40,000,000
December	1, 1979	9⅛ %	AR	25,000,000
July	2, 1980	5¼ %	Q	30,000,000
August	1, 1980	8 %	AX	32,000,000
April	1, 1981	6 %	AC	13,500,000
June	1, 1981	4 %	M	24,000,000
January	2, 1982	5½ %	V	40,000,000
August	2, 1982	5¾ %	T	50,000,000
March	15, 1983	4¼ %	P	50,000,000(*a*)
June	15, 1984	5½ %	W	30,000,000
October	1, 1984	5¾ %	Y	30,000,000
August	1, 1985-97	8⅜ %	AZ	26,000,000(*d*)
January	2, 1986	6 %	U	35,000,000
July	15, 1987	6⅛ %	AE	35,000,000
May	1, 1988	4⅞ %	X	50,000,000(*a*)
November	1, 1988	6¼ %	AH	50,000,000
January	15, 1989	9 %	AP	30,000,000(*c*)
October	1, 1989	4.80%	Z	50,000,000(*a*)
February	1, 1990	6⅜ %	AG	30,000,000
May	1, 1990	8¼ %	AO	206,000
August	14, 1990	9⅜ %	AQ	50,000,000
April	1, 1991	6 %	AD	26,500,000
November	1, 1991	7⅝ %	AL	30,000,000
March	15, 1992	8 %	AT	65,000,000
September	15, 1992	6¾ %	AI	45,000,000
April	14, 1993	8 %	AW	50,000,000
August	1, 1993	8⅜ %	AY	42,000,000
December	1, 1993	9⅜ %	AS	35,000,000
November	15, 1994	8 %	AV	65,000,000
September	1, 1995	4.85%	AA	50,000,000(*a*)
December	1, 1995	4.85%	AB	28,000,000(*a*)
October	14, 1996	6 %	AF	44,000,000(*a*)
December	1, 1997	6.60%	AJ	51,000,000(*a*)
September	17, 1998	6.90%	AM	75,000,000(*a*)
Exchange premium less discount, at time of issue, of bonds payable in United States funds				25,238,000(*e*)
				$1,652,238,000

(*a*) *Payable in United States funds.*

(*b*) *Series AN Bonds are exchangeable at the option of the holders on any interest payment date from November 1, 1970 to and including November 1, 1975 for First Mortgage 8¼% Bonds, Series AO, to mature May 1, 1990.*

(*c*) *The holder of any Series AP Bond will have the right to elect after July 15, 1974, and prior to July 15, 1975, that the Company shall prepay the principal amount of such Bond on January 15, 1976.*

(*d*) *Series AZ Bonds mature $2,000,000 per annum in each of the years 1985 to 1997 inclusive.*

(*e*) *Based on the exchange rate at December 31, 1972, this premium would be changed to a discount of $1,990,000.*

13. Notes payable

Promissory notes, issued to obtain interim financing, payable within 365 days at rates of interest between 4¾% and 4⅞% at December 31, 1972.

14. Deferred credits — Income taxes

Deferred income taxes result principally from depreciation deducted for tax purposes being in excess of that included in operating expenses.
In conformity with the recommended practices of the Canadian Institute of Chartered Accountants, the Company has consistently followed tax allocation procedures with respect to depreciation. In 1969 it adopted tax allocation procedures for other items in accordance with the current recommendation of the Institute. Under the provisions of this recommendation no retroactive adjustment to the accounts is required for accumulated deferred taxes on such other items, the total amount of which adjustment at December 31, 1972 would be approximately $34,000,000.

In 1972 the deferred credits — income taxes increased by $98,568,000 ($69,163,000 applicable to 1972 and $29,405,000 to 1971). Of the increase $60,660,000 ($31,914,000 for 1972 and $28,746,000 for 1971) was due to a change in claiming for income tax purposes certain expenditures in excess of those included in operating expenses in the respective years. These claims, the amounts of which have been received, are subject to final assessment by the tax authorities.

The Company also revised its taxable income for the years 1964 to 1969 inclusive claiming for income tax purposes certain additional expenditures in excess of those included in operating expenses for the respective years. These claims are currently under review by the tax authorities and any adjustments that could result have not been reflected in the financial statements of December 31, 1972.

Notes to Financial Statements (continued)

15. Unamortized investment tax credit

The Ontario Corporations Tax Act provides for a credit against income taxes levied by that Province equal to 5% of expenditures for machinery and equipment purchased after April 26, 1971 and put in place and used in Ontario by March 31, 1973.

This investment credit is being deferred and amortized by credits to income, as a reduction of income taxes, over the average estimated service life of telephone plant. The amortization in 1972 amounted to $464,000 leaving an unamortized balance of $9,834,000 as at December 31, 1972.

16. Deferred credits — Employees' savings plan

To June 30, 1970, employees of the Company purchased common shares from the Company under the terms of employees' savings plans by deductions from pay of a proportion of basic wages and by assignment of dividends from the shares so acquired.

Effective July 1, 1970, the payroll deduction portion of the existing plan was cancelled and replaced by a new plan entitling employees to subscribe up to 10% of their basic wages, which, together with a company contribution (charged to operating expenses) not to exceed 2% of such basic wages, is to be used by a trustee to make monthly purchases of common shares of the Company on the open market for the benefit of participating employees. The assignment of dividends for the purchase of shares continues for employees enrolled for such assignments prior to July 1, 1970. During 1972, $4,698,000 was assigned and at December 31, 1972, $2,542,000 was standing to the credit of employees.

17. Plan for employees' pensions

The latest actuarial valuation of the Plan established an unfunded liability of $73,955,000 at December 31, 1969. Subsequent payments to reduce this amount have been more than offset by the increase in the unfunded liability arising from increased wage levels and improvements in the Plan, so that the unfunded liability is estimated to be $125,485,000 at December 31, 1972. This amount is being funded by annual payments which will terminate in 1992. These payments are charged to operations in the years they are made.

18. Remuneration of directors and officers

During the year 1972, the Company's shareholders were served by 21 directors. As such, their aggregate remuneration from Bell Canada was $153,000. Certain of them served also as directors of subsidiary companies; as such their aggregate remuneration was: from Northern Electric Company, Limited, $30,000; and from The New Brunswick Telephone Company, Limited, $5,000.

The Company had 34 officers during 1972, and their aggregate remuneration as officers was $1,931,000. Three of the officers served also as directors of the Company.

19. Commitments

a) Material contractual obligations in respect of long term leases, covering building space, amounted to $159,964,000 at December 31, 1972. Related rentals incurred for the year 1972 amounted to $6,892,000 and the minimum amount applicable to the next five years is $36,505,000 of which $7,221,000 is applicable to the year 1973.

   The Company has agreed to purchase a mortgage for a sum not to exceed $37,106,000 in the event of mortgage payment default by the owner of a building. In such event the lease commitments of $159,964,000 will be reduced by approximately $74,500,000.

b) The Company has executed agreements with Telesat Canada for the supply to the Company of certain satellite telecommunication services for a period of five years commencing in 1973, for an aggregate consideration of $42,030,000. These agreements provide for reduction of the said consideration in the event that any part of the said services should be unavailable in accordance with the terms of agreements.

20. Applications for rate increases

On November 10, 1972, the Company filed two applications with the Canadian Transport Commission for authority to increase rates and charges for most of its services, equipment and facilities. The hearing on the first application commenced on January 10, 1973.

21. Subsequent event

On February 1, 1973, the Company issued $50,000,000 of its First Mortgage 8% Bonds, Series BA, maturing on February 1, 1997 for the sum of $49,050,000.

Auditors' Report

THE SHAREHOLDERS,
BELL CANADA.

We have examined the balance sheet of Bell Canada as at December 31, 1972 and the statements of income, retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Que.,	TOUCHE ROSS & CO.
February 12, 1973.	Chartered Accountants.

Benefits and Pensions

Under the Plan for Employees' Pensions, Disability Benefits and Death Benefits
Year 1972

Sickness Benefits	$2,717,806
Accident Benefits	232,305
Death Benefits	1,136,160
Disability Pensions	237,037

The Company has established a fund with the Royal Trust Company, Montreal, as Trustee. This fund is irrevocably devoted to service and deferred pension purposes. Under an accrual program based on actuarial studies, regular payments are made to the fund by the Company and amounted to $26,300,122 in the year 1972. The amount in the fund fully provides for future payments to those now on the pension rolls and those now entitled to retire on service pension at their own request, or to a deferred pension. The fund is not a part of the assets of the Company and is, therefore, not reflected in the balance sheet.

Officers

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
Robert C. Scrivener

PRESIDENT
A. Jean de Grandpré, Q.C.

EXECUTIVE VICE-PRESIDENTS
René Fortier *Eastern Region*
Arnold J. Groleau *Administration*
Z. Henry Krupski *Computer Communications & Network Services*
Walter F. Light *Operations*
James C. Thackray *Western Region*

VICE-PRESIDENTS
Wilfred D. E. Anderson *Engineering and Planning*
Robert W. Crowley *Western Area*
Claude Duhamel *Administration, Eastern Region*
Jean-Paul Gagnon *Montreal Area*
Charles A. Harris *Public and Environmental Affairs*
Frederick E. Ibey *Operations Staff, Western Region*
Gordon E. Inns *Computer Communications*
Palle Kiar *Central Area*
John A. McCutcheon *Operations Staff, Eastern Region*
J. Léonce Montambault *Eastern Area*
Lawrence J. O'Keefe *Systems*
Harry Pilkington *Toronto Area*
Hubert A. Roth *Operational Staff*
John E. Skinner *Personnel*
John F. Stinson *Network Services*
Orland Tropea *Regulatory Matters*
George C. Wallace *Finance*
Robert N. Washburn *Administration, Western Region*

TREASURER Harold E. Harris

COMPTROLLER George L. Henthorn

GENERAL COUNSEL Guy Houle

SECRETARY James T. Moore

RETIREMENTS DURING 1972
Marcel Vincent *Chairman of the Board and Chief Executive Officer*
W. Harvey Cruickshank *Vice-President, Environment Studies*

PROMOTIONS WITHIN AND TO THE OFFICER RANK:
Hubert A. Roth *Vice-President*
Palle Kiar *Vice-President*

Effective January 1, 1973
Robert C. Scrivener *Chairman of the Board and Chief Executive Officer*
A. Jean de Grandpré, Q.C. *President*
René Fortier *Executive Vice-President*

Statistical Summary

For the Year Ended December 31	1972	1971	1970
Telephone Service Facts			
Bell Canada telephones in service*	6,742,184	6,295,258	6,007,507
Telephones per 100 population*	53	50	49
Local calls — daily average	39,684,000	37,186,000	35,481,000
Long distance calls — daily average	959,000	835,000	785,000
Average daily calls per telephone	6.3	6.2	6.2
Corporate Items			
Average common shares outstanding	36,808,000	36,680,000	36,262,000
Per cent held in Canada*	95.9	95.8	95.7
Number of common shareholders*	229,567	233,976	241,971
Per cent resident in Canada	97.7	97.6	97.6
Number of Bell Canada employees*	40,953	39,136	39,079
Total payroll	$ 376,129,000	$ 333,845,000	$ 301,899,000
Construction expenditures	$ 507,716,000	$ 471,633,000	$ 402,063,000
Revenues, Expenses and Earnings			
Operating revenues	$1,125,416,000	$1,018,787,000	$ 936,636,000
Operating expenses	$ 712,534,000	$ 639,737,000	$ 578,453,000
Operating taxes	$ 180,688,000	$ 174,352,000	$ 172,010,000
Income	$ 126,808,000	$ 122,126,000	$ 126,531,000
Other	$ 53,880,000	$ 52,226,000	$ 45,479,000
Other income	$ 32,203,000	$ 29,786,000	$ 24,586,000
Interest charges	$ 98,701,000	$ 87,194,000	$ 77,497,000
Net income**	$ 164,788,000	$ 147,290,000	$ 133,262,000
Total dividends	$ 110,621,000	$ 106,552,000	$ 96,362,000
Balance retained	$ 54,167,000	$ 40,738,000	$ 36,900,000
Principal Assets and Liabilities			
Telephone property at cost less accumulated depreciation*	$3,400,461,000	$3,131,006,000	$2,865,345,000
Investments*	$ 318,199,000	$ 309,391,000	$ 295,919,000
Shareholders' equity*	$1,838,663,000	$1,779,671,000	$1,633,927,000
Capital stock	$1,119,775,000	$1,116,565,000	$1,009,429,000
Premium on capital stock	$ 376,879,000	$ 375,264,000	$ 373,925,000
Retained earnings	$ 342,009,000	$ 287,842,000	$ 250,573,000
Long term debt*	$1,652,238,000	$1,541,504,000	$1,386,504,000
Financial Ratios			
Earnings per common share**	$4.12	$3.76	$3.52
Common dividends per common share	$2.65	$2.65	$2.50
Common equity per common share*	$44.50	$43.05	$42.05
Per cent return on common equity capital**	9.4	8.8	8.4
Per cent return on total capital	7.8	7.4	7.2
Average debt ratio (per cent)	46.9	46.2	45.8
Interest in per cent of average debt	6.2	5.9	5.7
Times interest charges earned after taxes	2.7	2.7	2.7

**at December 31*

***after extraordinary item — 1972*

1969	1968	1967	1966	1965	1964	1963
5,752,820	5,450,782	5,152,101	4,868,392	4,577,573	4,312,577	4,090,102
47	46	44	43	42	40	39
33,562,000	31,916,000	30,000,000	28,577,000	26,817,000	25,525,000	24,458,000
743,000	664,000	612,000	565,000	536,000	495,000	468,000
6.1	6.2	6.1	6.2	6.2	6.2	6.3
35,580,000	34,943,000	34,376,000	30,867,000	29,604,000	28,638,000	26,450,000
95.4	95.2	94.9	94.6	93.7	93.6	93.1
251,834	254,690	259,001	255,449	213,939	207,150	195,037
97.7	97.8	97.8	97.8	97.5	97.4	97.3
38,686	37,489	38,123	40,008	38,320	35,890	35,441
$ 273,972,000	$ 250,682,000	$ 236,781,000	$ 225,437,000	$ 200,236,000	$ 187,081,000	$ 179,297,000
$ 389,326,000	$ 338,629,000	$ 312,524,000	$ 293,335,000	$ 242,458,000	$ 233,533,000	$ 234,088,000
$ 842,090,000	$ 758,478,000	$ 702,036,000	$ 645,047,000	$ 592,961,000	$ 542,772,000	$ 502,977,000
$ 530,200.000	$ 463,987,000	$ 430,227,000	$ 406,679,000	$ 372,318,000	$ 343,366,000	$ 325,795,000
$ 148,516,000	$ 137,118,000	$ 127,280,000	$ 111,550,000	$ 103,806,000	$ 94,281,000	$ 84,833,000
$ 103,835,000	$ 98,322,000	$ 91,564,000	$ 81,644,000	$ 78,493,000	$ 71,160,000	$ 63,332,000
$ 44,681,000	$ 38,796,000	$ 35,716,000	$ 29,906,000	$ 25,313,000	$ 23,121,000	$ 21,501,000
$ 22,480,000	$ 21,922,000	$ 20,042,000	$ 11,998,000	$ 9,695,000	$ 9,425,000	$ 8,412,000
$ 72,158,000	$ 60,969,000	$ 52,750,000	$ 43,970,000	$ 37,712,000	$ 35,055,000	$ 32,467,000
$ 113,696,000	$ 118,326,000	$ 111,821,000	$ 94,846,000	$ 88,820,000	$ 79,495,000	$ 68,294,000
$ 88,949,000	$ 87,358,000	$ 85,941,000	$ 75,859,000	$ 65,129,000	$ 63,005,000	$ 58,189,000
$ 24,747,000	$ 30,968,000	$ 25,880,000	$ 18,987,000	$ 23,691,000	$ 16,490,000	$ 10,105,000
$2,654,524,000	$2,435,593,000	$2,253,018,000	$2,081,166,000	$1,923,070,000	$1,804,375,000	$1,687,130,000
$ 282,933,000	$ 240,647,000	$ 239,114,000	$ 196,425,000	$ 81,489,000	$ 77,240,000	$ 64,757,000
$1,480,331,000	$1,428,367,000	$1,380,241,000	$1,331,782,000	$1,139,033,000	$1,100,001,000	$ 981,212,000
$ 897,535,000	$ 879,344,000	$ 865,959,000	$ 851,875,000	$ 745,300,000	$ 734,638,000	$ 666,525,000
$ 366,330,000	$ 357,304,000	$ 350,896,000	$ 341,836,000	$ 273,130,000	$ 268,434,000	$ 234,578,000
$ 216,466,000	$ 191,719,000	$ 163,386,000	$ 138,071,000	$ 120,603,000	$ 96,929,000	$ 80,109,000
$1,262,504,000	$1,193,052,000	$1,070,228,000	$ 944,803,000	$ 794,353,000	$ 735,000,000	$ 710,000,000
$3.20	$3.39	$3.25	$3.07	$3.00	$2.78	$2.58
$2.50	$2.50	$2.50	$2.43	$2.20	$2.20	$2.20
$41.23	$40.61	$39.85	$39.08	$38.21	$37.43	$36.80
7.8	8.4	8.3	8.0	7.9	7.5	7.1
6.8	7.1	6.9	6.7	6.7	6.4	6.1
46.7	44.6	43.0	42.5	40.4	40.2	40.9
5.6	5.3	5.1	4.9	4.8	4.8	4.7
2.6	2.9	3.1	3.2	3.4	3.3	3.1

President's Comments

Without minimizing other factors, it is apparent that Canada could not have become the industrialized and trading nation it is today without an extensive and effective system of telecommunications....

Mr. Roger Gosselin
subscriber

Mrs. S.E. Lackenbauer
employee

Mr. Jean Valiquette
employee

Mr. Jean Dansereau
shareholder

". . . Bell Canada . . . is responsible for some two-thirds of the nation's communications facilities . . . virtually all Canadian households in the areas served by the Company enjoy telephone service."

The obstacles imposed by vast distances and a relatively small and scattered population had to be compensated for by "the next best thing to being there".

Bell Canada, which is responsible for some two-thirds of the nation's communications facilities, is proud of the part its people have played in meeting the challenge. Today, virtually all Canadian households in the areas served by the Company enjoy telephone service. Our data, radio and television links also criss-cross this territory.

The universality of telephone service in Canada has been made possible by a pricing policy which has resulted in rates for basic service which are among the world's lowest. Today, in Bell Canada territory, it takes an average of just one and a half hours of work to pay for a month's telephone service. In many highly industrialized countries where the telephone systems are owned and operated by the state, it costs 3, 5 or 8 times more for service — when one is fortunate enough to get it.

So widely respected is the quality of our services that Bell Canada people are acting as consultants in a variety of telecommunications projects around the world.

These outstanding results have been obtained through the competence, dedication and hard work of thousands of employees who for generations have planned, constructed, maintained and managed Canada's most complex and sophisticated network.

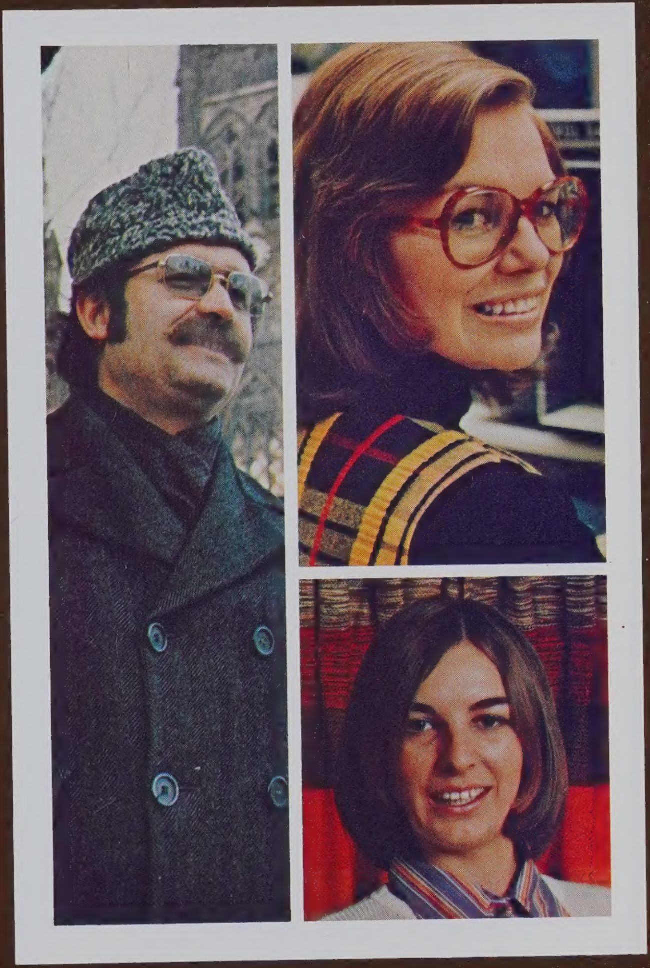
The integrated systems approach that has been developed over the years between Bell-Northern Research Ltd., the Northern Electric Company and Bell Canada, is envied in other countries. It has made excellent and economical service a practical reality, and will serve as a stepping stone to future successes.

This achievement was made possible in no small measure by the invested savings of hundreds of thousands of Canadians with faith in their country and a readiness to make their dollars available to build our communications system. Today, this system sustains the economy and, directly or indirectly, provides employment for thousands of Canadians. It should never be forgotten that more than 160,000 of our 240,000 shareholders hold less than 100 shares each — an investment today of less than $5,000. Countless other Canadians are also represented as shareholders through their insurance companies, savings banks, pension trusts and other investment funds.

This is truly a communications system owned by Canadians for the benefit of Canadians: a real national asset.

Customers, employees, shareholders — all are interdependent; if one group is not treated fairly, the whole structure is in danger of falling apart.

Our Company is now at the crossroads. At the time of writing, the Canadian Transport Commission is hearing our



Mr. Jean-Marc Bednar
subscriber

Mrs. Cheryl Yashan
employee

Mrs. Sharron Elliott
shareholder

". . . outstanding results have been obtained through the competence, dedication and hard work of thousands of employees who for generations have planned, constructed, maintained and managed Canada's most complex and sophisticated network."

application for rate increases in 1973. We do not of course know what the outcome will be, but we do know that the quality of the system will deteriorate if earnings are not adequate to meet the reasonable requirements of investors and thus attract new capital. We also know that the members of the Commission are very conscious of the importance and ramifications of the issues.

We have learned the hard way how difficult and costly it is to bring the quality of service back to a high level once it has been allowed to deteriorate. The ten-year job that had to be undertaken to rehabilitate the network after the 1939-45 war was a graphic and unhappy example.

The problem of rising costs is not confined to any one company or utility. Since 1965, postage rates have increased by 63 per cent, and the average price of household electricity across Canada by 33 per cent. By way of comparison, Bell Canada's basic monthly charge for residence telephone service rose by about nine per cent during the same period. Some long distance charges were lowered.

There is no intention here to pass judgment on the validity of rate actions taken by others. The organizations involved are all purchasing materials and services at increased costs. They pay their employees 40 or 50 per cent more than they did seven or eight years ago. Their interest charges on borrowed capital have also gone up.

In short, these organizations, while technically monopolies, are operating in a highly competitive environment.

So are we.

For a company like ours, living with the inflationary pressures of a free economy is no easy balancing act. The difficulty lies in the fact that while Bell Canada's prices are regulated, those of most of the companies from which we buy goods and services are not. Unless the problems inherent in this disparity are resolved, Bell Canada's future capacity to provide attractive employment, a reasonable return for shareowners and, above all, good service to the public, is certain to be diminished.

No one likes rate increases. But there can be little doubt that the alternative — a lowering of service standards — would be even less popular.

The management of Bell Canada is in a position of trust vis-à-vis the shareholders, the customers and the employees. It is our continuing aim and responsibility to ensure that these three groups share equitably in the benefits that flow from the growth and progress of the enterprise.

President

PRINTED IN CANADA

Mrs. M.L. Griffin
subscriber

Mr. Gilles Ouimet
employee

Mrs. Mary Lister
shareholder

". . . made possible in no small measure by the invested savings of hundreds of thousands of Canadians with faith in their country and a readiness to make their dollars available to build our communications system."

Bell Canada, part of
Trans-Canada
Telephone System